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In the Supreme Court of the United States

MICREL, INC., PETITIONER

v.

LINEAR TECHNOLOGY CORPORATION

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

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QUESTION PRESENTED

The United States patent laws provide that a person is not entitled to a patent if "the invention was * * * on sale in this country, more than one year prior to the date of the application for patent." 35 U.S.C. 102(b). The question presented is:

Whether the "on-sale" bar is triggered if the patentee engages in significant efforts to commercialize an invention, but does not make a formal offer to sell the invention.

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BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

This brief is submitted in response to the order of this Court inviting the Solicitor General to express the views of the United States.

STATEMENT

Respondent Linear Technology Corporation (Linear) sued petitioner Micrel, Inc. (Micrel) for patent infringement. The United States District Court for the Northern District of California held that Linear's patent was invalid under 35 U.S.C. 102(b) because the inventor—who assigned the patent to respondent—did not apply for his patent until more than one year after respondent had placed the invention "on sale." Pet. App. 72a. The United States Court of Appeals for the Federal Circuit reversed. *Id.* at 1a-26a. The court of appeals reasoned that, while respondent had engaged in "significant pre-release efforts at commercialization and * * * targeted advertising to" customers, that activity did not trigger the on-sale bar because the activity did not rise

"to the level of a contractual offer-for-sale." *Id.* at 12-13a (citing *Group One, Ltd.* v. *Hallmark Cards, Inc.*, 254 F.3d 1041 (Fed. Cir. 2001)).

1. The Patent Clause of the Constitution empowers Congress "[t]o promote the Progress of Science and useful Arts by securing *for limited Times* to * * * Inventors the exclusive Right to their * * * Discoveries." U.S. Const. Art. I, § 8, Cl. 8 (emphasis added). Congress has implemented the Patent Clause through statutory enactments, commonly known as the Patent Acts, that have set out the conditions for obtaining a patent. See, *e.g.*, Patent Act of 1790, ch. 7, 1 Stat. 109; Patent Act of 1793, ch. 11, 1 Stat. 318; Patent Act of 1836, ch. 357, 5 Stat. 117; Patent Act of 1839, ch. 88, 5 Stat. 353; Patent Act of 1870, ch. 230, 16 Stat. 198; Patent Act of 1939, ch. 451, 53 Stat. 1212; Patent Act of 1952, ch. 950, 66 Stat. 792.

The Patent Act of 1952, as amended, provides the relevant law governing the issuance of patents. See 35 U.S.C. 100 *et seq.* Sections 101 through 103 set out the basic requirements to qualify for a patent. 35 U.S.C. 101-103. As this Court has explained, those sections indicate that "patentability is dependent upon three explicit conditions: novelty and utility as articulated in § 101 and § 102, and non-obviousness * * *, as set out in § 103." *Graham* v. *John Deere Co.*, 383 U.S. 1, 12 (1966); *United States* v. *Adams*, 383 U.S. 39, 48 (1966). See generally *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 146-151 (1989).

Section 101 provides the basic test for patentability. It states that an inventor may obtain a patent for "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." 35 U.S.C. 101. Section 102 amplifies on the limitations that arise from the novelty requirement. 35 U.S.C. 102. Section 102(a) provides, for example, that an applicant is not entitled to a patent if "the invention was known or used by others in this country * * * before the invention thereof by the

applicant for patent." 35 U.S.C. 102(a). Section 102(b) further states that an applicant is not entitled to a patent if "the invention was * * * in public use or on sale in this country, more than one year prior to the date of the application for patent." 35 U.S.C. 102(b).

Section 103 of the Patent Act articulates the additional requirement, added explicitly in 1952, that the subject matter of the invention must be "non-obvious." 35 U.S.C. 103. Section 103(a) specifically states that a patent may not be obtained, even though the invention is not identically disclosed or described under Section 102, if the differences between the subject matter and the prior art "are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art." 35 U.S.C. 103(a). In other words, "[p]atentability is to depend, in addition to novelty and utility, upon the 'non-obvious' nature of the 'subject matter sought to be patented' to a person having ordinary skill in the pertinent art." *Graham*, 383 U.S. at 14.

2. Respondent Linear designs, manufactures, and sells linear integrated circuits for use in a variety of applications, including telecommunications, cellular phones, and computers. In April 1985, Carl Nelson, respondent's employee, conceived an invention—covered by the patent at issue here—while developing a new silicon chip called the LT1070. Pet. App. 30a. The invention seeks to advance the art of "switching regulator circuitry," which "provides regulated voltages or currents to electrical devices." *Id.* at 2a.

Respondent officially released the LT1070 for sale on November 18, 1985. In the months leading up to the release date, respondent "engaged in extensive pre-release marketing activity designed to generate commercial interest in the chip both in the United States and abroad." Pet. App. 3a. For example, in July 1985, respondent conducted a conference for its sales force to discuss the LT1070. *Id.* at 3a-4a. "By October 1985, [respondent] had generated

enough excitement that the independent sales representatives were actively promoting the LT1070 to customers, even though the new chip had not yet been released for sale." *Id.* at 4a. Despite this extensive commercial activity, however, respondent's sales representatives never provided customers with either pricing information or samples of the chip. See *id.* at 14a, 49a. Nevertheless, "in light of its marketing blitzkrieg, [respondent] received purchase orders from four of its European distributors offering to buy LT1070 chips before the official release date." *Id.* at 4a-5a.

On November 18, 1985, respondent officially released the LT1070 chip for sale, and one year later, on November 18, 1986, respondent applied for a patent on Nelson's invention. Pet. App. 6a. The patent issued as U.S. Patent No. 4,755,741 and Reexamination Certificate B1 4,755,741 (the 741 patent). *Id.* at 1a. The so-called "critical date" for purposes of Section 102(b)'s on-sale bar is one year before the patent application date. The critical date in this case is the official release date—November 18, 1985—and if the invention was in fact "on sale" before that date, the patent would be invalid.

3. Petitioner Micrel also makes switching regulator circuitry. Pet. App. 6a. Respondent sued petitioner claiming that two of petitioner's chips infringed the 741 patent. *Ibid.* In a motion for summary judgment of patent invalidity, petitioner argued that respondent had placed the LT1070 chip on sale more than one year before the 741 patent's November 18, 1986, filing date, thus triggering Section 102(b)'s on-sale bar. *Ibid.* The district court denied petitioner's motion, but bifurcated the case for a separate trial on the Section 102(b) issue, and stayed the balance of the case pending resolution of that issue. *Ibid.* Based on its factual findings concerning respondent's "pre-critical date commercialization efforts" and respondent's handling of "four pre-critical date purchase orders," the district court concluded that respondent "had offered for sale and sold the LT1070 prior to the critical date." *Id.* at 6a-9a, 27a-72a.

The Federal Circuit reversed. Pet. App. 1a-26a. That court rejected the district court's holding that respondent's invention was put "on sale" within the meaning of Section 102(b) more than one year before the patent application was filed. The court noted that *Group One, Ltd.* v. *Hallmark Cards, Inc.*, 254 F.3d 1041 (Fed. Cir. 2001), held that "promotional activity not rising to the level of a contractual offer-for-sale" does not trigger the on-sale bar. Pet. App. 13a. After reviewing the evidence, the court held that "none of [respondent's] activities constitutes an offer for sale under general principles of contract law." *Ibid.* In particular, the court held that none of the pre-critical date communications —which included respondent's advertising and provision of preliminary data sheets and potential customers' requests for samples—"rose to the level of an offer for sale that would form a contract if accepted." *Id.* at 17a. While respondent's eventual acceptance of the pre-release purchase orders resulted in an actual sale of the invention, the court ruled that the sale did not occur until after the critical date. *Id.* at 18a-22a.

DISCUSSION

The court of appeals concluded that respondent did not place its LT1070 chip "on sale" before the critical date of November 18, 1985, and that Section 102(b)'s on-sale bar therefore does not invalidate its 741 patent. That fact-based decision is not in conflict with any decision of this Court, with any other Federal Circuit decision, or with any decision of any other court of appeals. The decision below clarifies the test for determining when an invention is "on sale" in light of this Court's decision in *Pfaff* v. *Wells Electronics, Inc.*, 525 U.S. 55 (1999). It does not mark any significant departure from prior Federal Circuit precedent, but rather is part of the Federal Circuit's ongoing effort to clarify the law relevant to Section 102(b)'s on-sale bar. Further review by this Court is not warranted.

A. Section 102(b)'s On-Sale Bar Is Triggered By A Commercial Offer To Sell The Invention

This Court has often explained that "the patent system represents a carefully crafted bargain that encourages both the creation and public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time." *Pfaff* v. *Wells Elecs., Inc.*, 525 U.S. 55, 63 (1999) (citing *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 150-151 (1989)). Section 102 of the Patent Act sets out conditions on the issuance of a patent that are designed to ensure that the invention identified in the patent application is sufficiently novel to justify the award. Section 102(b) states the condition of particular pertinence here:

> A person shall be entitled to a patent unless—the invention was patented or described in a printed publication in this or a foreign country or in public use or *on sale* in this country, more than one year prior to the date of the application for patent in the United States.

35 U.S.C. 102(b) (emphasis added). Section 102(b)'s "on-sale" bar prevents an inventor who has placed his invention in commerce from obtaining a patent unless the inventor applies for a patent within one year after placing it "on sale."[1]

As this Court explained in *Pfaff*, Section 102(b) "serves as a limiting provision, both excluding ideas that are in the public domain from patent protection and confining the duration

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[1] This Court "originally held that an inventor loses his right to a patent if he puts his invention into public use before filing a patent application." *Pfaff*, 525 U.S. at 64 (citing *Pennock* v. *Dialogue*, 27 U.S. (2 Pet.) 1, 23-24 (1829)). The Patent Act of 1836, ch. 357, § 1, 5 Stat. 117, expressly included an on-sale bar to the issuance of a patent. In 1839, Congress enacted a two-year grace period in which the inventor could file an application. § 7, 5 Stat. 354. See *Andrews* v. *Hovey*, 123 U.S. 267, 274 (1887) (explaining that purpose of the amendment was "to fix a period of limitation which should be certain"). In 1939, Congress reduced the grace period from two years to one year. § 1, 53 Stat. 1212.

of the monopoly to the statutory term." 525 U.S. at 64 (citing *Frantz Mfg. Co.* v. *Phenix Mfg. Co.*, 457 F.2d 314, 320 (7th Cir. 1972)). See *Metallizing Eng'g Co.* v. *Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516, 519-520 (2d Cir.) (L. Hand, J.), cert. denied, 328 U.S. 840 (1946) (stating that once an invention is ready for patenting, the inventor "must content himself with either secrecy or legal monopoly"). Recognizing that an inventor must sometimes test an invention "in the public eye" to "perfect his discovery," this Court has long omitted from the on-sale bar any sales that are for experimental purposes. 525 U.S. at 64-65 (citing *City of Elizabeth* v. *American Nicholson Pavement Co.*, 97 U.S. 126, 137 (1877)).

In *Pfaff*, this Court specifically considered whether an invention had to be reduced to practice to trigger the on-sale bar. 525 U.S. at 57. The Court held that the bar was triggered when an invention was ready for patenting—*e.g.*, when detailed engineering drawings were completed—and did not require a reduction to practice of the invention. *Id.* at 67-68. Of particular relevance here, the Court in *Pfaff* also stated that, to trigger the on-sale bar, the invention "must be the subject of a *commercial offer for sale.*" *Id.* at 67 (emphasis added). The Court explained that "[a]n inventor can both understand and control the timing of the first commercial marketing of his invention." *Ibid.*

The dispute in this case is whether respondent's commercial activities, activities that fall short of an actual sale or a formal offer for sale in the contract sense, trigger the on-sale bar.

B. The Federal Circuit's Decision Refines That Court's Approach To Identifying A Commercial Offer For Sale

Before *Pfaff*, the Federal Circuit evaluated the Section 102(b) on-sale bar under a "totality of the circumstances" test. 525 U.S. at 66 n.11. Often, as in *Pfaff*, an "on-sale" dispute, and therefore the totality-of-the-circumstances test,

focused on whether the invention was sufficiently complete for purposes of the on-sale bar. But the Federal Circuit also applied the totality-of-the-circumstances test to whether a "definite sale or offer" had occurred. See, *e.g.*, *Envirotech Corp.* v. *Westech Eng'g Inc.*, 904 F.2d 1571, 1574 (Fed. Cir. 1990); *UMC Elecs. Co.* v. *United States*, 816 F.2d 647, 656 (Fed. Cir. 1987), cert. denied, 484 U.S. 1025 (1988). This Court noted in *Pfaff* that the Federal Circuit's totality-of-the-circumstances inquiry had been criticized as "unnecessarily vague." 525 U.S. at 66 n.11 (quoting *Seal-Flex, Inc.* v. *Athletic Track & Court Constr.*, 98 F.3d 1318, 1323 n.2 (Fed. Cir. 1996)).

Immediately after this Court's decision in *Pfaff*, the Federal Circuit announced it would not apply a totality-of-the-circumstances test to the status-of-the-invention aspect of the on-sale bar. *Weatherchem Corp.* v. *J.L. Clark, Inc.*, 163 F.3d 1326, 1333 (Fed. Cir. 1998) (on-sale bar inquiry conducted "without balancing various policies according to the totality of the circumstances as may have been done in the past") (citing *Envirotech, supra*; *UMC Elecs., supra*; and *King Instrument Corp.* v. *Otari Corp.*, 767 F.2d 853, 860 (Fed. Cir. 1985), cert. denied, 475 U.S. 1016 (1986)). Soon thereafter, the Federal Circuit stated that *Pfaff* entirely "swept away this court's 'totality of the circumstances' analysis of the on-sale bar," including its application to the commercial-offer-for-sale aspect of the on-sale bar. *Group One, Ltd.* v. *Hallmark Cards, Inc.*, 254 F.3d 1041, 1046 (Fed. Cir. 2001). The court concluded that *Pfaff* "strongly suggests that the offer must meet the level of an offer for sale in the contract sense, one that would be understood as such in the commercial community." *Ibid.* "Such a reading leaves no room for 'activity which does not rise to the level of a

formal "offer" under contract law principles.'" *Id.* at 1046-1047.[2]

Petitioner asserts that the *Group One* decision "represents a dramatic departure from the settled understanding of federal patent law." Pet. 17. The United States does not share that view. Although *Group One* re-articulated the governing standard in response to this Court's *Pfaff* decision, it does not appear to have substantially changed the controlling legal inquiry. In the context of determining whether and when an invention was offered for sale, the totality-of-the-circumstances test, in practice, focused on whether the inventor had made a "definite offer" to sell the invention. For example, in *UMC Electronics*, the Federal Circuit held that the inventor had "made a definite offer to sell" its patented invention more than one year before the date of the patent application. 816 F.2d at 657. The definite offer was embodied in a bid submitted in response to the United States Navy's request for proposals. *Id.* at 650. In contrast, in the absence of a definite offer, the on-sale bar was not triggered. Thus, for example, when an inventor held a sales conference and distributed samples of the invention to its sales force, the on-sale bar was not triggered because "[i]t is not a violation of the on-sale bar to make preparations for the sale of a claimed invention—an actual sale or offer to sell must be proved." *Intel Corp.* v. *United States Int'l Trade Comm'n*, 946 F.2d 821, 830 (Fed. Cir. 1991). Accord *Buildex Inc.* v. *Kason Indus., Inc.*, 849 F.2d 1461, 1463-1464 (Fed. Cir. 1988) ("no more than a firm offer to sell may be

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[2] Contrary to petitioner's view (Pet. 26 n.5), *Group One* does not revive the "on hand" doctrine. Under that now-discarded doctrine, the on-sale bar was not triggered until the invention was "completed, delivered, and accepted." *B.F. Sturtevant Co.* v. *Massachusetts Hair & Felt Co.*, 124 F.2d 95, 97 (1st Cir. 1941), cert. denied, 315 U.S. 823 (1942); *Timely Prods. Corp.* v. *Arron*, 523 F.2d 288, 302 (2d Cir. 1975). Under the *Group One* test, a sale of a product that is ready for patenting but not yet delivered, or even manufactured (as in *Pfaff*), triggers the bar provided that it is the subject of a commercial offer for sale.

sufficient"); *Envirotech*, 904 F.2d at 1575 (no on-sale bar where invention was not "definitely offered for sale").

The *Manual of Patent Examining Procedure*, which the United States Patent and Trademark Office (PTO) has prepared as a guide to patent law and practice, duly reflects that a "definite offer" is required to trigger the on-sale bar. United States Patent & Trademark Office, *Manual of Patent Examining Procedure* (8th ed. 2003) (*MPEP*). Section 2133.03(b) states: "An impermissible sale has occurred if there was a definite sale, or offer to sell, more than 1 year before the effective filing date." *Id.* § 2133.03(b) (citing *Ferag AG* v. *Quipp Inc.*, 45 F.3d 1562 (Fed. Cir.), cert. denied, 516 U.S. 816 (1995)). See *Ferag*, 45 F.3d at 1569 ("What is clear, based on the November order confirmation, is that by November of 1979 Ferag had decided to supply the patented conveyor pursuant to its agreements with Bergen.").[3]

The Federal Circuit's decision in *Group One* re-articulated the governing standard in terms that this Court employed in *Pfaff*, and the *MPEP* has recently been revised to reflect that re-articulation. Nevertheless, the *Group One* decision's refinement of the inquiry does not appear to have resulted in a dramatic change in the law. Both the "commercial offer" and the "definite offer" articulations are grounded in traditional contract-law principles. As the Restatement (Second) of Contracts explains, there is no "offer" in the contract sense "if the person to whom it is addressed knows or has reason to know that the person making it does not intend to conclude a bargain until he has made a further manifestation of assent." Restatement (Second) of Contracts § 26 (1981)

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[3] Petitioner points (Pet. 11-12) to Section 2133.03(e)(1) of the *MPEP*, entitled "Permitted Activity; Experimental Use," which contrasts "experimental use" and "commercial exploitation." The discussion therein concerns the separate question, not at issue in this case, of whether sales for experimental use, as opposed to commercial use, trigger the on-sale bar.

(Restatement). Similarly, as a leading commentator states, "the offer must be sufficiently *definite* to lead the offeree to understand that a bargain is being proposed and how the offeree may conclude the bargain." 1 Richard A. Lord, *Williston on Contracts* § 4.4, at 270 (4th ed. 1990) (emphasis added).[4] Thus, all the pre-*Group One* cases cited above—*UMC Electronics*, *Intel*, *Buildex*, *Envirotech* and others—are consistent with the traditional contract-law understanding of offers for sale. The mere reference in *Group One* to "formal" contract principles (254 F.3d at 1047) does not manifest a substantial difference, in practice, between *Group One* and prior Federal Circuit case law.[5]

C. The Federal Circuit's Decisions In This And Other Recent Cases Do Not Give Rise To A Square Conflict With Prior Decisions

The Federal Circuit's decisions in this case and in other post-*Group One* on-sale bar cases are consistent with pre-*Group One* case law. An actual sale continues to trigger the on-sale bar under any standard. *Brasseler, U.S.A.* v. *Stryker Sales Corp.*, 182 F.3d 888, 890 (Fed. Cir. 1999); *Netscape Communications Corp.* v. *Konrad*, 295 F.3d 1315, 1324 (Fed. Cir. 2002). Likewise, "formal proposal documents" that

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[4] The Uniform Commercial Code (UCC) itself does not define "offer." See 2 Ronald A. Anderson, *Anderson on the Uniform Commercial Code* § 2-206:12 (3d ed. 1997) (cited in *Jeneric/Pentron, Inc.* v. *Dillon Co.*, 171 F. Supp. 2d 49, 67 (D. Conn. 2001) ("The UCC does not define 'offer,' and, therefore, does not displace pre-code law as to what constitutes an offer.")).

[5] The *Group One* court stated that "[a]s a general proposition, [it] will look to the [UCC] to define whether, as in this case, a communication or series of communications rises to the level of a commercial offer for sale." 254 F.3d at 1047. The *Group One* court observed that the Federal Circuit has previously taken guidance from the UCC about the meaning of "sale" in patent laws. *Ibid.* There is nothing novel in relying on UCC concepts in the present context. The *Group One* court itself noted that the district court in that very case—*i.e.*, before its so-called "dramatic departure"—"used the UCC as one of its guides." *Id.* at 1048.

include the "quotation and the duration of the offer" continue to "provide sufficiently definite offer language to constitute a commercial offer for sale." See *Scaltech, Inc.* v. *Retec/Tetra, LLC.*, 269 F.3d 1321, 1329 (Fed. Cir. 2001). And the Federal Circuit's unpublished decision in *Schreiber Foods, Inc.* v. *Beatrice Cheese, Inc.*, No. 00-1303, 2002 WL 315187 (Feb. 27, 2002), petition for cert. pending, No. 02-129 (filed July 23, 2002), relied on both a pre-*Group One* decision (*UMC Electronics*) and *Group One* to find the absence of a commercial offer for sale.[6]

Contrary to petitioner's claim, an earlier decision of the Federal Circuit did not expressly hold that "the on-sale bar is triggered by commercial exploitation, notwithstanding the absence of a technical offer for sale" (Pet. 12). In *RCA Corp.* v. *Data General Corp.*, 887 F.2d 1056 (1989), the Federal Circuit suggested that the on-sale bar may be triggered "by a patentee's commercial activity which does not rise to the level of a formal 'offer' under contract law principles." *Id.* at 1062. As the *Group One* court explained, that portion of the opinion "was unnecessary to the decision in the case, and thus is non-binding *dictum*." 254 F.3d at 1046. Thus, the *Group One* decision did not "overturn[]" or "overrule[]" *RCA*. See Pet. 11, 26.

Moreover, the holding of *RCA* further demonstrates that the *Group One* decision does not represent a significant departure from settled law. In *RCA*, the court found a "definite offer" based on a "lengthy written proposal providing background information, a detailed delivery schedule, a rate of completion of the proposed work and a separate section on financial data and costs," all of which constituted a proposal

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[6] Moreover, the *Group One* decision accords with the Federal Circuit's interpretation of a similar patent-law provision. Section 271(a) makes "offers to sell" a patented product an infringement. 35 U.S.C. 271(a). Under Federal Circuit case law, that provision also requires an offer to sell in the traditional contract-law sense. *Rotec Indus.* v. *Mitsubishi Corp.*, 215 F.3d 1246, 1252, 1254 (Fed. Cir. 2000).

that could have been "accepted." 887 F.2d at 1062. There was, in the words of the *RCA* court, "a definite offer in the contract sense." *Ibid.* Thus, there is plainly no conflict between the Federal Circuit's *Group One* decision and its *RCA* decision.

Petitioner describes (Pet. 12-15) a purported inter-circuit conflict between the "formal offer" language of *Group One* and cases from other circuits that pre-date the establishment of the Federal Circuit. But even if such a conflict were to exist, a principal purpose of establishing the Federal Circuit was to create a single forum for resolving such questions. See, *e.g.*, *Holmes Group, Inc.* v. *Vornado Air Circulation*, 535 U.S. 826, 838 (2002) (Stevens, J., concurring) (describing the Federal Circuit as a "specialized court that was created, in part, to promote uniformity in the development of this area of" patent law). A conflict between the Federal Circuit and decisions that pre-date its creation, therefore, would not ordinarily warrant the attention of this Court.

In any event, there is no inter-circuit conflict between the Federal Circuit's on-sale case law and decisions from other courts of appeals. The cases that petitioner cites all appear to involve solicitations of potential customers that include samples or product demonstration and other sales-related material.[7] Before *Group One*, the Federal Circuit often stated that solicitations to customers that include a sample of the invention and other key sales information, such as price,

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[7] See, *e.g.*, *Minnesota Mining & Mfg. Co.* v. *Kent Indus.*, 409 F.2d 99, 100 (6th Cir. 1969) (formal letter, accompanied by sample, requesting that the Navy conduct a procurement approval test); *Strong* v. *General Elec. Co.*, 434 F.2d 1042, 1044 (5th Cir. 1970) ("dozens" of meter boxes distributed to power company so that company could place them on approved equipment list accompanied by other "great efforts to sell" the meter boxes); *George R. Churchill Co.* v. *American Buff Co.*, 365 F.2d 129, 133 (7th Cir. 1966) (distribution of samples to customers accompanied by maximum prices); *American Can Co.* v. *Crown Cork & Seal Co.*, 693 F.2d 653, 656 (7th Cir. 1982) (distribution of samples and prices to customers).

could trigger the on-sale bar.[8] This case does not present that issue because samples were not sent to customers before the critical date. See Pet. App. 17a. But in any event, it is presently unclear, under the *Group One* rationale, how the provision of samples and other sales-related information to potential customers would affect the "commercial offer for sale" inquiry. See *Group One*, 254 F.3d at 1048 (declining to provide rules to govern future cases).[9]

Petitioner also suggests that the *Group One* standard would alter the consequences of advertising or trade-show activities under the on-sale bar. See Pet. 12, 16, 17. The *Group One* court did "note in passing that contract law traditionally recognizes that mere advertising and promoting of a

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[8] See, *e.g.*, *D.L. Auld Co.* v. *Chroma Graphics Corp.*, 714 F.2d 1144, 1148 (Fed. Cir. 1983) (samples submitted with "pricing and delivery dates in writing"); *Stearns* v. *Beckman Instruments, Inc.*, 737 F.2d 1565 (Fed. Cir. 1984) (samples and price quote trigger bar); *Lubrizol Corp.* v. *Exxon Corp.*, No. 90-1161, 1991 WL 19786, at *1 (Fed. Cir. Mar. 20, 1991) (unpublished) (on-sale bar triggered by "customer meetings with sales representatives, quotations of prices and delivery terms, and samples to develop customer familiarity"). Petitioner also relies (Pet. 15-17) on district court decisions that, like petitioner's cases from other circuits, appear to involve the distribution to customers of samples and related sales materials that would trigger the on-sale bar under the Federal Circuit's "definite offer" test. See, *e.g.*, *Kalvar Corp.* v. *Xidex Corp.*, 384 F. Supp. 1126, 1132-1133 (N.D. Cal. 1973) (dissemination of samples and price quotes to customers), aff'd, 556 F.2d 966 (9th Cir. 1977). But a conflict between the decision below and a district court decision would not warrant this Court's review. See Robert L. Stern et al., *Supreme Court Practice* 237 (8th ed. 2002).

[9] For example, in *Minnesota Mining & Manufacturing Co.* v. *Chemque, Inc.*, 303 F.3d 1294, 1308 (2002), cert. dismissed, No. 02-828 (Apr. 9, 2003), the Federal Circuit held that the on-sale bar was not triggered where *no* "sale-related information was sent with the samples." See *ibid.* ("In this case there is no testimony or evidence in the record that price quotes were actually sent to customers in any particular instance."). Under pre-*Group One* case law, the delivery of a sample *without* other sales-related information likewise did not trigger the on-sale bar. Cf. *Intel Corp.*, 946 F.2d at 829 (distribution of sample to sales staff but not customers does not trigger the on-sale bar).

product may be nothing more than an invitation for offers, while responding to such an invitation may be an offer." 254 F.3d at 1048 (citing Restatement § 26). But that portion of the *Group One* decision is also consistent with previous Federal Circuit case law. No earlier decision of the Federal Circuit appears to have held that advertising always constitutes a "definite offer" that would trigger the on-sale bar. Instead, the Federal Circuit's case law emphasizes that in certain circumstances a particular advertising may trigger the on-sale bar. See, e.g., *In re Theis*, 610 F.2d 786, 790, 791-792 (C.C.P.A. 1979) (statement in press release at trade show stating that "deliveries are being made this month" was "strong evidence" that product was on sale). The principle that advertising can, at times, result in a commercial offer for sale is fully consistent with traditional contract-law principles. See, *e.g.*, 1 Lord, *supra*, at 294 ("Though the general rule is that an advertisement, circular, price list, quotation or the like is not an offer, there is no doubt that a positive offer may be made even by an advertisement or other similar general notice."); Restatement § 26 ("It is of course possible to make an offer by an advertisement directed to the general public.").

Indeed, whether the distribution of samples, advertising, or trade show activities place an invention "on sale" may well vary from industry to industry. See *Lacks Indus., Inc.* v. *McKechnie Vehicle Components USA*, 322 F.3d, 1335, 1347-1348 (Fed. Cir. 2003). The *Group One* court emphasized that "any given circumstance * * * requires looking closely at the language of the proposal itself." 254 F.2d at 1048. Similarly, legal commentary discussing the on-sale bar has long emphasized that the meaning of certain commercial activities—*i.e.*, whether an invention is "on sale"—may well vary from industry to industry. See, *e.g.*, Patrick J. Barrett, *New Guidelines for Applying the On Sale Bar to Patentability*, 24 Stan. L. Rev. 730, 740 (1972) ("[A]n offer to sell may vary from industry to industry. Thus, displaying a

sample in one industry may represent nothing more than the showing of an interesting idea * * * [while in other settings] even an advertisement for a product that does not yet exist is considered an offer to sell.").

A similar contextual analysis applies to whether the receipt of purchase orders triggers the on-sale bar. In some circumstances, the receipt of the purchase order may confirm that a definite or formal offer was made. In *Pfaff*, for example, the customer placed an oral purchase order for 30,100 sockets, and then provided the inventor with a written confirmation of the purchase order. 525 U.S. at 58. The course of dealing between the customer and inventor established that the inventor had solicited and accepted the order by the time that the inventor received the written confirmation. See *id.* at 59, 67, 68. In other circumstances, the fact that a vendor received a purchase order may be insufficient to establish that the vendor solicited or accepted an offer. In this case, for example, the court of appeals found that, although the respondent received purchase orders, respondent did not accept them until after the critical date. See Pet. App. 18a-22a. The court of appeals reasoned that "a reasonable offeror in the distributors' position who received an acknowledgment that—unlike those for the unambiguously-accepted orders—explicitly states that the order for the LT1070 was 'NOT BOOKED,' would understand that [respondent] had not booked and therefore had not accepted the order." *Id.* at 20a.

In short, traditional contract principles themselves take into account differences in industry practice and context. Accordingly, a shift from the totality-of-the-circumstances approach to an inquiry into whether there is a commercial offer for sale under traditional contract law principles is not the radical shift in approach that petitioner suggests. Moreover, to the extent the Federal Circuit reformulated its approach in terms more consistent with this Court's *Pfaff*

decision, that reformulation does not warrant this Court's plenary review.

D. The Federal Circuit's Decision Is Unlikely To Result In Improper Extension Of A Patent's Duration

Petitioner expresses concern (Pet. 20) that the Federal Circuit's interpretation of the on-sale bar unfairly permits inventors to postpone informing the public of their inventions, thereby enabling them to extend the duration of their patent monopolies. In some contexts, the courts may be justifiably concerned that a particular construction of the patent laws may result in unwarranted patent extensions. But on the other hand, this Court recognized in *Pfaff* that there are virtues in granting the inventor some ability to "understand and control the timing of the first commercial marketing of his invention." 525 U.S. at 67. In any event, the many and varied pressures to file patent applications as soon as possible make it very unlikely that an inventor would consciously delay filing a patent application for the sole purpose of postponing the critical date under the on-sale bar.

Generally, an inventor seeks to receive a patent quickly in order to obtain competitive advantage and licensing revenue, as well as to attract investment capital. In addition, a delay in filing increases the universe of prior art that can be used against a patent application to show that the invention was either anticipated or obvious.[10] Moreover, a delay in filing may permit someone else to file an application in the United States that covers the same invention, thereby possibly causing the patent applicant to establish his own priority in a sometimes costly and time-consuming interference

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[10] Under Section 102(b), for example, material that has been published more than one year prior to application filing constitutes prior art. 35 U.S.C. 102(b). The longer the inventor delays filing, the more such prior art becomes available against the patent.

proceeding.[11] For applicants interested in foreign protection, the pressures to file a patent application quickly are even greater. In first-to-file countries—the vast majority of the rest of the world—a patent is awarded not to the first person to invent, but to the first person to file a patent application.[12]

Thus, petitioner's concern that the Federal Circuit's current approach to the on-sale bar might improperly extend the duration of patents appears overstated and does not provide a basis for this Court's review.

E. The Federal Circuit's Approach To The On-Sale Bar Continues To Evolve

The Federal Circuit has not adopted a rigid approach to the application of Section 102(b)'s on-sale bar. The court expressly observed in *Group One*:

> We do not mean to suggest that it will always be easy to ascertain whether a set of interactions between parties constitutes a commercial offer to sell. Nor do we propose to offer rules or even binding guidance for

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[11] In the so-called interference proceeding to determine which of two (or more) inventors is to be awarded a patent on the same invention, see 35 U.S.C. 135(a), the party who filed second is deemed the "junior" party and must establish a conception date before that of the "senior" party by a preponderance of the evidence, or, if the senior party's patent issued before the junior party filed, by clear and convincing evidence. 37 C.F.R. 1.657. The shift in the burden of proof is often outcome determinative, and in any event increases the cost of the interference proceeding to the junior party.

[12] Because the Paris Convention recognizes a right of priority to the first patent application filed in a member country, the first patent application filed in a member country effectively establishes the inventor's filing date for all member countries. See Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 25 Stat. 1372 (as revised by Convention at Brussels, Dec. 14, 1900, 32 Stat. 1936; Convention at Washington, June 2, 1911, 38 Stat. 1645; Convention at the Hague, Nov. 6, 1925, 47 Stat. 1789; Convention at London, June 2, 1934, 53 Stat. 1768; Convention at Lisbon, Oct. 31, 1958, 13 U.S.T. 1; Convention at Stockholm, July 14, 1967, 24 U.S.T. 2140, and as amended, Sept. 28, 1979) art. 4.

> making such determinations, which offer would be little more than *obiter dicta.*

254 F.3d at 1048. Furthermore, the Federal Circuit indicated in this case that it would supplement traditional contract-law principles when issues unique to the on-sale bar arise. In holding that the acceptance of the purchase orders for the invention occurred after the critical date, the court of appeals below observed that "under the UCC, a valid contract can be found even if the court cannot pinpoint the exact time of its formation, UCC § 2-204(2), but this rule—however laudable in the commercial setting—cannot relieve the court in an on-sale bar setting from ascertaining if a sale, or an offer for sale, has been made before the critical date." Pet. App. 18a. Thus, the Court recognized that, in discarding its prior totality-of-the-circumstances test, it would nevertheless need to continue to refine and adapt the principles governing the on-sale bar inquiry.

Ultimately, the Federal Circuit's decision in this case, as well as its other recent related decisions respecting Section 102(b), may be properly viewed as steps in an on-going process to articulate and further refine the proper application of the on-sale bar. In light of the guidance that this Court has recently provided through its decision in *Pfaff*, there is no compelling need for this Court to revisit that relatively narrow issue of patent law at this time.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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